



MATATIELE

LOCAL MUNICIPALITY

Matatiele Local Municipality
Annual Financial Statements
for the year ended 30 June 2020

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

General Information

Executive committee

Mayor	M M Mbedla
Speaker	N Mshuqwana
Chief Whip	S Mngenela
Portfolio Head: Budget and Treasury	N Ngwanya
Portfolio Head: Economic Development	N A Nkukhu
Portfolio Head: Community Services	S Maphasa
Portfolio Head: Infrastructure Services	MC Setanane
Portfolio Head: Special Programmes	ZP Bono
Portfolio Head: Corporate Services	T Dyantyi
EXCO Member	KC Biggs
EXCO Member	WC Mdolomba
EXCO Member	M S Boo
Chairperson: MPAC	S Baba
Chairperson: Public Participation	M Motloli
Chairperson: Women's Caucus	N Maketela
Members of the council	
Member	FP Libaziso
Member	MJ Mtoto
Member	N P Xaki
Member	T P Likobela
Member	S Vikwa
Member	N C Sithole
Member	P T Hloele
Member	N I Makhube
Member	CN Sambane
Member	N I Mpopo
Member	F Shale
Member	L E Nkamba
Member	X Mnconywa
Member	ZP Bono
Member	J G van Wyhe
Member	C L Nxesi
Member	H M Mdingi
Member	K E Sephuhla
Member	N N Paula
Member	T L Mohoto
Member	W K Leballo
Member	N B Nkomo
Member	P A Mohale
Member	I N Maketela
Member	LE Stuurman
Member	N R Ludidi - Mzonke
Member	N Mosebetsane
Member	N A Ganya
Member	N Njobe
Member	S N Mgolombane
Member	TC Mshuqwana-Galo
Member	T Molefe
Member	T F Mohatla
Member	TL Mothapa
Member	WB Potwana
Member	J Mabula
Member	S Mzozoyana

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General Information

Municipal Manager	Dr DCT Nakin Mr L Matiwane Mr V Mlokothe	From 1 July 2019 to 31 March 2020 From 10 January 2020 to 26 January 2020 27 January 2020 until the end of financial year
Shared audit committee	Adv. T .W. Mgidlana Ms. N.I. Mba CA(SA) Mr. Z Zulu	Chairperson: 1 Aug 2019 - 30 June 2020 Member: 1 Aug 2019 - 30 June 2020 Member: 1 Aug 2019 - 30 June 2020
Grading of local authority	3	
Chief Financial Officer (CFO)	Mr K Mehlomakulu	
Registered office	102 Main Street Matatiele 4730	
Physical address	102 Main Street Matatiele 4730	
Postal address	P.O. Box 35 Matatiele 4730	
Bankers	Nedbank	
Auditors	Auditor General of South Africa (AGSA)	
Registered business telephone number	039 737 8100	
Level of assurance	These financial statements will be audited in compliance with the applicable requirements of GRAP.	

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

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The reports and statements set out below comprise the annual financial statements presented to the Council:

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Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data.

The interim financial statements were prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) as well as the relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I, as the Accounting Officer, acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I have set standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring that the municipality's business is conducted in a manner that at all reasonable circumstances are above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I have reviewed the municipality's cash flow forecast for the year ending 30 June 2021. In light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue operating for a foreseeable future.

The financial statements are prepared on the basis that the municipality is a going concern and that the Matatiele Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.


Although, I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's external auditors.

I would like to bring to your attention the following material matters to your attention:

I certify that the salaries, allowances and benefits of councillors as disclosed in note 27 to these financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The external auditor, being the Auditor General of South Africa, is responsible for auditing and expressing an opinion on the municipality's financial statements.

The financial statements set out on pages 5 to 57, which have been prepared on the going concern basis, were approved.


Mr L. Matiwane
Municipal Manager

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

	Notes	2020 R	2019 Restated* R
Assets			
Current Assets			
Inventories	2	1,702,594	973,773
Receivables from non-exchange transactions	3	87,085,239	81,303,779
VAT receivable	4	12,101,681	3,679,487
Prepayments	5	4,460,622	4,485,439
Trade receivables from exchange transactions	6	8,257,890	7,885,922
Cash and cash equivalents	7	153,085,216	123,997,462
		266,693,242	222,325,862
Non-Current Assets			
Investment property	8	35,574,602	35,574,602
Property, plant and equipment	9	1,044,455,063	936,658,361
Property, plant and equipment- Capitalised restoration cost	9.1	13,612,622	14,126,367
Intangible assets	10	332,667	413,081
Employee benefit asset	15	687,624	-
		1,094,662,578	986,772,411
Total Assets		1,361,355,820	1,209,098,273
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	48,980,526	43,964,625
Consumer deposits	12	345,497	299,527
Unspent conditional grants and receipts	13	1,752,893	3,236,254
Provisions	14	11,998,424	10,768,318
		63,077,340	58,268,724
Non-Current Liabilities			
Provisions	14	13,049,793	13,259,530
Employee benefit obligation	15	15,978,627	15,215,831
		29,028,420	28,475,361
Total Liabilities		92,105,760	86,744,085
Net Assets		1,269,250,060	1,122,354,189
Reserves			
Revaluation reserve	16	230,445,832	230,445,831
Accumulated surplus		1,038,804,228	891,908,354
Total Net Assets		1,269,250,060	1,122,354,189

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Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

	Notes	2020 R	2019 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	18	58,434,130	61,165,844
Rental of facilities and equipment	19	803,197	853,155
Licences and permits	20	2,557,070	3,279,009
Landfill site provision reduction		209,737	-
Other income	21	2,569,432	2,459,008
Interest received	22	24,528,113	20,109,004
Total revenue from exchange transactions		89,101,679	87,866,020
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	44,903,631	43,280,098
Transfer revenue			
Government grants & subsidies	24	369,222,363	320,562,017
Public contributions and donations		-	2,873,871
Fine receipts	25	1,397,543	3,470,659
Total revenue from non-exchange transactions		415,523,537	370,186,645
Total revenue	17	504,625,216	458,052,665
Expenditure			
Employee related costs	26	(115,401,765)	(110,200,612)
Remuneration of councillors	27	(20,447,212)	(19,626,185)
Remuneration of traditional leaders	28	(386,324)	(448,802)
Landfill site provision contribution	14	-	(816,460)
Depreciation and amortisation	29	(47,731,328)	(48,540,497)
Impairment loss/Reversal of impairments	30	-	(129,764)
Finance costs	31	(3,082)	(5,345)
Debt Impairment	32	(13,883,601)	(5,001,244)
Material and stores	33	(4,192,167)	(3,645,783)
Bulk purchases	34	(39,938,390)	(39,260,295)
Contracted services	35	(81,078,040)	(67,838,057)
Transfers and subsidies paid		-	(150,000)
Operating/General Expenses	36	(33,956,848)	(39,590,304)
Total expenditure		(357,018,757)	(335,253,348)
Operating surplus		147,606,459	122,799,317
Loss on disposal of assets and liabilities		(710,584)	(122,899,333)
Fair value adjustments		-	17,071,800
		(710,584)	(105,827,533)
Surplus for the year		146,895,875	16,971,784

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Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

	Revaluation reserve R	Accumulated surplus R	Total net assets R
Opening balance as previously reported	167,422,002	864,564,463	1,031,986,465
Adjustments			
Correction of errors	-	569,490	569,490
Balance at 01 July 2018 as restated*	167,422,002	865,133,953	1,032,555,955
Changes in net assets			
Surplus for the year	-	16,971,785	16,971,785
Revaluation	69,118,286	3,153,660	72,271,946
Transfer from revaluation to accumulated surplus	(6,094,456)	5,958,957	(135,499)
Transfer in of sports field	-	690,000	690,000
Total changes	63,023,830	26,774,402	89,798,232
Restated* Balance at 01 July 2019	230,445,832	891,908,353	1,122,354,185
Changes in net assets			
Surplus for the year	-	146,895,875	146,895,875
Total changes	-	146,895,875	146,895,875
Balance at 30 June 2020	230,445,832	1,038,804,228	1,269,250,060

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Annual Financial Statements for the year ended 30 June 2020

Cash Flow Statement

	Notes	2020 R	2019 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		86,332,606	83,329,246
Grants		367,739,002	313,976,999
Interest income		24,528,113	20,109,004
Other receipts		4,149,070	3,470,659
		<u>482,748,791</u>	<u>420,885,908</u>
Payments			
Payments to Suppliers and Employees		(298,013,518)	(284,248,873)
Finance costs		(3,082)	(5,345)
		<u>(298,016,600)</u>	<u>(284,254,218)</u>
Net cash flows from operating activities	37	<u>184,732,191</u>	<u>136,631,690</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(155,237,125)	(132,502,842)
Purchase of other intangible assets	10	(407,320)	-
Net cash flows from investing activities		<u>(155,644,445)</u>	<u>(132,502,842)</u>
Net increase in cash and cash equivalents		29,087,746	4,128,848
Cash and cash equivalents at the beginning of the year		123,997,462	119,868,614
Cash and cash equivalents at the end of the year	7	<u>153,085,208</u>	<u>123,997,462</u>

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Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	68,077,246	-	68,077,246	58,434,130	(9,643,116)	Note 48
Rental of facilities and equipment	1,700,000	(885,000)	815,000	803,197	(11,803)	
Licences and permits	4,524,684	10,000	4,534,684	2,557,070	(1,977,614)	Note 48
Landfill site provision reduction	-	-	-	209,737	209,737	
Other income	1,673,000	486,000	2,159,000	2,569,432	410,432	
Interest received - investment	23,224,923	1,012,001	24,236,924	24,528,113	291,189	
Total revenue from exchange transactions	99,199,853	623,001	99,822,854	89,101,679	(10,721,175)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	44,100,000	-	44,100,000	44,903,631	803,631	
Transfer revenue						
Government grants & subsidies	359,958,000	9,745,000	369,703,000	369,222,363	(480,637)	
Fine receipts	2,093,696	150,000	2,243,696	1,397,543	(846,153)	Note 48
Total revenue from non-exchange transactions	406,151,696	9,895,000	416,046,696	415,523,537	(523,159)	
Total revenue	505,351,549	10,518,001	515,869,550	504,625,216	(11,244,334)	
Expenditure						
Employee related costs	(120,607,804)	(1,897,389)	(122,505,193)	(115,401,765)	7,103,428	Note 48
Remuneration of councillors	(22,763,488)	(31,835)	(22,795,323)	(20,447,212)	2,348,111	Note 48
Remuneration of traditional leaders	(380,000)	-	(380,000)	(386,324)	(6,324)	
Depreciation and amortisation	(30,447,764)	-	(30,447,764)	(47,731,328)	(17,283,564)	
Finance costs	-	-	-	(3,082)	(3,082)	
Lease rentals on operating lease	(500,000)	(350,000)	(850,000)	-	850,000	
Debt Impairment	(5,500,000)	1,500,000	(4,000,000)	(13,883,601)	(9,883,601)	Note 48
Material and stores	(4,631,500)	(2,728,000)	(7,359,500)	(4,192,167)	3,167,333	Note 48
Bulk purchases	(47,900,000)	-	(47,900,000)	(39,938,390)	7,961,610	Note 48
Contracted Services	(88,322,925)	(4,196,968)	(92,519,893)	(81,078,040)	11,441,853	Note 48
General Expenses	(67,238,647)	6,186,192	(61,052,455)	(33,956,848)	27,095,607	Note 48
Total expenditure	(388,292,128)	(1,518,000)	(389,810,128)	(357,018,757)	32,791,371	
Operating surplus	117,059,421	9,000,001	126,059,422	147,606,459	21,547,037	
Loss on disposal of assets and liabilities	-	-	-	(710,584)	(710,584)	
Surplus before taxation	117,059,421	9,000,001	126,059,422	146,895,875	20,836,453	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	117,059,421	9,000,001	126,059,422	146,895,875	20,836,453	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1,032,087	(58,317)	973,770	1,702,594	728,824	
Receivables from non-exchange transactions	68,231,091	31,045,628	99,276,719	87,085,239	(12,191,480)	
VAT receivable	-	-	-	12,101,681	12,101,681	
Prepayments	-	-	-	4,460,622	4,460,622	
Consumer debtors	14,206,365	31,056,853	45,263,218	8,257,890	(37,005,328)	
Cash and cash equivalents	119,919,218	(38,397,468)	81,521,750	153,085,216	71,563,466	
	203,388,761	23,646,696	227,035,457	266,693,242	39,657,785	
Non-Current Assets						
Property, plant and equipment- Capitalised restoration cost	14,000,000	-	14,000,000	13,612,622	(387,378)	
Investment property	21,221,094	14,353,508	35,574,602	35,574,602	-	
Property, plant and equipment	1,107,716,518	(14,003,747)	1,093,712,771	1,044,455,063	(49,257,708)	
Intangible assets	1,798,770	(1,305,689)	493,081	332,667	(160,414)	
Employee benefit asset	-	-	-	687,624	687,624	
	1,144,736,382	(955,928)	1,143,780,454	1,094,662,578	(49,117,876)	
Total Assets	1,348,125,143	22,690,768	1,370,815,911	1,361,355,820	(9,460,091)	
Liabilities						
Current Liabilities						
Payables from exchange transactions	36,607,489	44,224,841	80,832,330	47,086,591	(33,745,739)	
Consumer deposits	301,050	954,288	1,255,338	345,497	(909,841)	
Unspent conditional grants and receipts	-	-	-	1,752,893	1,752,893	
Provisions	912,040	13,378,536	14,290,576	11,998,424	(2,292,152)	
	37,820,579	58,557,665	96,378,244	61,183,405	(35,194,839)	
Non-Current Liabilities						
Employee benefit obligation	15,426,012	-	15,426,012	15,978,627	552,615	
Provisions	13,687,576	(1,999,519)	11,688,057	13,049,793	1,361,736	
	29,113,588	(1,999,519)	27,114,069	29,028,420	1,914,351	
Total Liabilities	66,934,167	56,558,146	123,492,313	90,211,825	(33,280,488)	
Net Assets	1,281,190,976	(33,867,378)	1,247,323,598	1,271,143,995	23,820,397	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	409,439,827	43,020,148	452,459,975	230,445,832	(222,014,143)	
Accumulated surplus	761,906,190	32,957,433	794,863,623	1,040,698,163	245,834,540	
Total Net Assets	1,171,346,017	75,977,581	1,247,323,598	1,271,143,995	23,820,397	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	97,217,653	3,741,882	100,959,535	86,332,606	(14,626,929)	
Grants	359,958,000	9,745,002	369,703,002	367,739,001	(1,964,001)	
Interest income	-	21,427,692	21,427,692	24,528,113	3,100,421	
Other receipts	21,119,304	(12,938,635)	8,180,669	4,149,070	(4,031,599)	
	478,294,957	21,975,941	500,270,898	482,748,790	(17,522,108)	
Payments						
Suppliers and employees	(352,194,364)	(2,273,000)	(354,467,364)	(298,013,519)	56,453,845	
Other payments	(150,000)	-	(150,000)	(3,082)	146,918	
	(352,344,364)	(2,273,000)	(354,617,364)	(298,016,601)	56,600,763	
Net cash flows from operating activities	125,950,593	19,702,941	145,653,534	184,732,189	39,078,655	
Cash flows from investing activities						
Purchase of property, plant and equipment	(125,574,160)	(52,810,090)	(178,384,250)	(156,173,131)	22,211,119	
Purchase of other intangible assets	-	-	-	(407,320)	(407,320)	
Net cash flows from investing activities	(125,574,160)	(52,810,090)	(178,384,250)	(156,580,451)	21,803,799	
Cash flows from financing activities						
Decrease in consumer debtor	(954,288)	-	(954,288)	-	954,288	
Net increase/(decrease) in cash and cash equivalents	376,433	(33,107,149)	(32,730,716)	28,151,738	60,882,454	
Cash and cash equivalents at the beginning of the year	132,257,247	(8,259,781)	123,997,466	123,997,462	(4)	
Cash and cash equivalents at the end of the year	132,633,680	(41,366,930)	91,266,750	152,149,200	60,882,450	
Reconciliation						

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Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

The accounting policies applied are consistent with those used to present the previous year's financial statements.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All amounts are rounded to the nearest Rand.

1.2 Going concern assumption

These annual financial statements have been prepared based on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months. In preparing the financial statements, management is required to make estimates and assumptions that impact on the municipality financial statements once implemented. Actual results in the future could differ from these estimates which may be material to the mid term financial statements.

1.2.1 Comparative Information

When the presentation or classification of items in the mid term financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.2.1.1 Municipal Standard Chart of Accounts (mSCOA) Implementation and Reclassification

The Municipal Regulations on Standard Chart of Accounts promulgated in terms of Government Gazette 37577 dated 22 April 2014 apply to all municipalities and municipal entities and became effective from 1 July 2017.

The main objective of this regulation is to provide for a national standard in respect of uniform recording and classification of municipal budget and financial information at a transaction level by prescribing a standard chart of accounts for municipalities and municipal entities which:

- a) are aligned to the budget formats and accounting standards prescribed for municipalities and municipal entities and with the standard chart of accounts for national and provincial government; and
- b) enable uniform information sets recorded in terms of national norms and standards across the whole of government for the purposes of national policy coordination and reporting, benchmarking and performance measurement in the local government sphere.

The impact of this mSCOA regulations definitely affected the municipality's current business processes; transacting and reporting requirements.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

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Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Debtors from 90 days and above are impaired (debtors less than 90 days are not impaired).

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, as well as land with no determinable future use. When Investment property is recognised as an asset i.e. probable that future economic benefits will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Costs include costs incurred initially and cost incurred subsequently to add to, or to replace a part or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Subsequent measurement

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Matatiele Local Municipality

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Accounting Policies

1.5 Property, plant and equipment (continued)

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The residual value of property, plant and equipment has been determined using historical data and market conditions. A base level of 20 percent is applied except where specific assets are deemed to vary significantly from this estimate.

SUBSEQUENT MEASUREMENT

The following categories of Property, plant and equipment are carried at the revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses:

- Land and Buildings
- Infrastructure
- Community Assets

The following categories of Property, plant and equipment are carried on the cost model, being the cost less accumulated depreciation and any impairment losses:

- Other property, plant and equipment
- Capital under construction.

Capital under construction is not depreciated as the asset has not been brought into use yet. Land is not depreciated as it is deemed to have an indefinite useful life.

Revaluations are made every 5 years such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The land and buildings are checked against deeds information to ensure that the properties included in the register are owned and controlled by the municipality.

Market values are analysed to ensure that the value reflect the fair value of the fixed asset concerned. The assets with significant high market values to their carrying values are assessed for reasonableness as per requirements of GRAP 17.

The market value is split between land and buildings using a 10:90 split respectively.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Matatiele Local Municipality

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Accounting Policies

1.5 Property, plant and equipment (continued)

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

DEPRECIATION

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Land is not depreciated as it is regarded as having an indefinite life. Depreciation on assets other than land is calculated on cost or revalued amount, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are initially based on the following originally estimated useful lives and thereafter on the estimated remaining useful lives as at year end:

Infrastructure:	Years	Community:	Years	Other:	Years
Roads and Paving	10-30	Improvements	25-30	Buildings	30
Electricity	20-30	Recreational facilities	15-20	Specialist vehicles	10
Water	15-20	Security	03-05	Other vehicles	05-10
Sewerage	15-20	Components:		Office equipment	03-07
Landfill Sites	10-65	Doors & Iron	08-15	Furniture and fittings	07-10
Housing	30	Doors & Iron(extensive)	15-30	Watercraft	15
Pedestrian Malls	20	Fittings	05-15	Bins and containers	05-10
		Fittings and fixtures	15-30	Specialised equipment	10-15
		Windows & glazing	08-15	Other plant and equip	02-15
		Windows & glazing (extensive)	15-30	External wall	20-30
		External roof structure/covering	15-35	Floor structure	20-40
		Floor finish	05-15	Wall painting	05-10
		Wall structure (internal)	20-50	Drainage	10-30
		Electrical	10-30	Plumbing	10-30

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost:

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Accounting Policies

1.6 Intangible assets (continued)

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Computer software, other	3-5 years
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SUBSEQUENT MEASUREMENT

Intangible assets are subsequently measured at cost less accumulated amortisation.

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.7 Financial Instruments

Initial recognition and measurement

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Subsequent measurement

Financial instruments are classified as financial instruments at fair value through profit or loss where the financial instrument is either held for trading (including derivative instruments) or is designated as at fair value through profit or loss and are carried at fair value with any gains or losses being recognised in profit or loss. Fair value, for this purpose, is market value if listed or a value arrived at by using appropriate valuation models if unlisted.

Matatiele Local Municipality

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Accounting Policies

1.7 Financial instruments (continued)

Trade Receivables

Trade and other receivables are classified as loans and receivables and are measured at amortised cost less provision for doubtful debts, which is determined as set out under impairment of assets set out in policy note 1.10. Items with extended terms are initially recorded at the present value of future cash flows and interest received is accounted for over the term until payment is received. Write-downs of these assets are expensed in profit or loss.

Cash and cash equivalents

Cash and cash equivalents includes investments from call accounts which are held on a 30 day notice and can be received anytime the municipality wishes to utilize the funds. These investments are measured at fair value.

Cash and cash equivalents are measured at fair value.

Financial Liabilities

Non-derivative financial liabilities that are not designated on initial recognition as financial liabilities at fair value through profit or loss are measured at amortised cost using the effective interest rate method. Items with extended terms are initially recorded at the present value of future cash flows.

Trade Payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

The cost of inventories is assigned using the FIFO formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of assets

The entity assesses at each reporting date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset exceeds its recoverable amount (or recoverable service amount in the case of non-cash generating assets), the asset is considered impaired and is written down to its recoverable amount or recoverable service amount.

Matatiele Local Municipality

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Accounting Policies

1.10 Impairment of assets (continued)

If the recoverable amount of an asset is estimated to be less than its carrying amount, its carrying amount is reduced to the higher of its recoverable amount and zero. Subsequent to the recognition of an impairment loss, the depreciation or amortisation charge for the asset is adjusted to allocate its remaining carrying value, less any residual value, over its remaining useful life.

Impairment losses on receivables are determined based on specific and objective evidence that assets are impaired and is measured as the difference between the carrying amount of assets and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are recognised in profit or loss. If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in the profit or loss.

1.11 Derecognition of assets and liabilities

Financial assets are derecognised when the contractual rights to receive cash flows have been transferred or have expired or when substantially all the risks and rewards of ownership have passed.

All other assets are derecognised on disposal or when no future economic benefits are expected from their use.

Financial liabilities are derecognised when the relevant obligation has either been discharged, cancelled or has expired.

1.12 Employee costs

These are all costs paid by an employer in exchange for services rendered by an employee. These include employee benefits such as salaries, bonuses, housing allowance, medical and other contributions, which are recognised in the income statement during the period in which the employee renders the related service. Detailed policies can also be noted under the Employee Benefits note.

1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.13 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

All Actuarial gains and losses are recognised immediately in surplus or deficit when they occur.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

1.15 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Measurement

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any discounts and rebates allowed by the entity. Fair value is the amount for which an asset could be exchanged, or a liability, between knowledgeable, willing parties in an arm's length transaction.

Service charges relating to electricity are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

1.16 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the fine is issued.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Government grants

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Unspent conditional grants

For all conditional grants, a corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. The unspent conditional grant liability is disclosed in the Statement of Financial Position.

1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.17 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Change in Accounting Policies, Estimates and Errors

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of the changes in estimates are disclosed in the notes to the financial statements where applicable.

1.21 Prepayments

The amount is not taken to profit or loss and other comprehensive income as an expense but disclosed as a current asset in the statement of financial position. The expense is only raised when it is incurred.

1.22 Accumulated Surplus

Included in the accumulated surplus is the previous years profits as well as the effects of changes in accounting policies and correction of errors.

1.23 IGRAP 1 - Probability of revenue

Initial Recognition

Revenue is recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured.

Subsequent measurement

Subsequently, the collectability of the revenue is assessed and an impairment loss is recognised where appropriate.

1.24 VAT

The Municipality accounts for Value Added Tax on the payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services.

1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.25 Budget information (continued)

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

1.26 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.27 Commitments

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments. Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are to be non-cancelable or only cancelable at significant cost contracts should relate to something other than the business of the municipality.

1.28 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund.

Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash-backed, and invested in accordance with the investment policy of the municipality.
- The proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the MEC for Human Settlements.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments of the fund is disclosed as interest earned in the Statement of Financial Performance.

1.29 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

Matatiele Local Municipality

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Accounting Policies

1.30 Deferred revenue

The calculation is done on the week commencing 15 June with the assumption that the electricity purchased in the first and second week of the month will be consumed of the financial year.

An average tariff has been applied for domestic as the municipality is on stepped tariff.

The average daily consumption is over 30,417 days for the financial year.

The indegent is not deferred.

1.31 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.32 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.31 New standards and interpretations

1.31.1 Standards and interpretations effective and adopted in the current year,

GRAP 108 on statutory receivable

IGRAP 19 on Liabilities to Pay Levies

IGRAP 18 on Recognition and Derecognition of Land

GRAP 32 on Service Concession Arrangements: Grantor

GRAP20 on Related Party Transaction

GRAP109 on Accounting by Principal and Agents

IGRAP17 on Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

Matatiele Local Municipality

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Notes to the Annual Financial Statements

	2020 R	2019 R
2. Inventories		
Consumable stores	1,536,766	973,483
COVID-19 PPE	166,405	-
Medallions - at cost	2,669	2,669
	1,705,840	976,152
Obsolete stock written off	(3,246)	(2,379)
	1,702,594	973,773

No inventory is held as security in the Matatiele Local Municipality.

3. Receivables from non-exchange transactions

Rates from non exchange transactions	89,482,108	75,482,770
Sundry Debtors	31,488,429	28,230,709
Traffic Fines Debtor	3,606,149	7,699,344
Other Debtors	-	740,686
Impairment	(37,491,447)	(30,849,730)
	87,085,239	81,303,779

Matatiele Local Municipality

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Notes to the Annual Financial Statements

	2020 R	2019 R
3. Receivables from non-exchange transactions (continued)		
Rates from non exchange transactions		
Current	873,116	763,875
31-60 days	877,121	771,624
61-90 days	1,674,464	1,292,560
91-120 days	1,570,831	1,193,116
121-360 days	9,728,671	1,227,228
Over 360 days	74,758,146	70,234,367
Impairment	(31,311,454)	(25,577,217)
	58,170,895	49,905,553
Sundry Debtors from non exchange transactions		
Current	289,150	65,348
31-60 days	6,442,931	53,744
61-90 days	35,495	25,775
91-120 days	34,407	27,561
121-360 days	618,294	3,408,205
over 360 days	24,068,152	24,650,076
Impairment	(3,564,333)	(2,898,632)
	27,924,096	25,332,077
Traffic Fines from non exchange transactions		
Current	-	4,162,114
31 - 60 days	437,250	-
91 - 120 days	377,100	1,077,560
121 - 360 days	289,600	2,459,671
Over 360 days	2,502,199	-
Impairment	(2,615,660)	(2,373,881)
	990,489	5,325,464
Sundry Debtors classification by type		
Consumers		
Current	15,986	16,771
31 - 60 days	15,986	15,174
61 - 90 days	16,046	8,845
91 - 120 days	16,046	18,732
121 - 365 days	494,909	473,480
Over 365 days	2,841,136	2,190,619
	3,400,109	2,723,621
Industrial		
Current	262,037	41,957
31 -60 days	6,415,818	32,248
61 - 90 days	6,651	10,607
91 - 120 days	5,559	2,507
121 - 365 days	39,931	14,929
Over 360 days	11,776,121	16,232,677
	18,506,117	16,334,925
Government		
Current	11,126	6,620
30 - 60 days	11,127	6,322
61 - 90 days	12,798	6,322
91 - 120 days	12,801	6,323

Matatiele Local Municipality

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Notes to the Annual Financial Statements

	2020 R	2019 R
3. Receivables from non-exchange transactions (continued)		
121 - 365 days	83,454	460,125
Over 365 days	9,450,895	8,686,450
	9,582,201	9,172,162

4. VAT receivable

VAT	12,101,681	3,679,487
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VAT is declared on the payments basis. Once payment is received from debtors and payments made to creditors, VAT is declared to SARS.

Prior year debt write off was expensed inclusive of the VAT portion. The 2018/19 VAT and Debt Impairment figures has been adjusted as per the Correction of Error Note 49.

5. Prepayments

Council Chamber Advance paid	780,622	780,622
Eskom Mountain View Deposit	3,680,000	3,704,817
	4,460,622	4,485,439

The amount R3 680 000 (2019: R 3 704 817) was paid towards the project (Mountain view substation) and Council Chamber an amount of R 780 622 (2019: R 780 622) as an advance.

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
6. Trade receivables from exchange transactions		
Gross balances		
Electricity from exchange transactions	6,394,541	6,099,622
Refuse from exchange transactions	18,922,972	16,078,472
Interest accrued from investments	76,379	210,026
	25,393,892	22,388,120
Less: Allowance for impairment		
Electricity from exchange transactions	(532,948)	(340,206)
Refuse from exchange transactions	(16,603,054)	(14,161,993)
	(17,136,002)	(14,502,199)
Net balance		
Electricity from exchange transactions	5,861,593	5,759,417
Refuse from exchange transactions	2,319,918	1,916,479
Interest accrued from investments	76,379	210,026
	8,257,890	7,885,922
Electricity		
Current (0 -30 days)	3,220,964	2,782,481
31 - 60 days	875,887	918,707
61 - 90 days	493,570	511,847
91 - 120 days	531,381	152,594
121 - 365 days	893,496	251,772
> 365 days	379,242	1,482,223
	6,394,540	6,099,624
Refuse		
Current (0 -30 days)	808,811	766,688
31 - 60 days	599,925	503,019
61 - 90 days	489,378	384,127
91 - 120 days	442,001	305,049
121 - 365 days	2,124,207	284,352
> 365 days	14,458,650	13,835,237
	18,922,972	16,078,472
Other		
> 365 days	76,379	210,026
Summary of debtors by customer classification electricity and refuse		
Consumers		
Current (0 -30 days)	523,674	508,443
31 - 60 days	473,993	400,021
61 - 90 days	418,521	331,189
91 - 120 days	397,805	284,482
121 - 365 days	2,001,842	260,938
> 365 days	14,026,815	13,437,451
	17,842,650	15,222,524
Less: Allowance for impairment	(16,118,340)	(13,810,207)
	1,724,310	1,412,317

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
6. Trade receivables from exchange transactions (continued)		
Industrial / commercial		
Current (0 -30 days)	2,740,475	2,209,900
31 - 60 days	344,977	440,123
61 - 90 days	128,108	108,228
91 - 120 days	160,153	65,116
121 - 365 days	304,221	63,869
> 365 days	750,591	683,216
	4,428,525	3,570,452
Less: Allowance for impairment	(1,017,662)	(691,994)
	3,410,863	2,878,458
National and provincial government		
Current (0 -30 days)	765,626	830,826
31 - 60 days	656,842	579,775
61 - 90 days	436,319	456,557
91 - 120 days	415,423	129,628
121 - 365 days	711,640	211,552
> 365 days	60,486	1,176,780
	3,046,336	3,385,118
Total		
Current (0 -30 days)	4,029,775	5,885,922
31 - 60 days	1,475,812	1,419,492
61 - 90 days	982,948	-
91 - 120 days	973,381	463,041
121 - 365 days	3,017,703	536,124
> 365 days	14,914,273	14,083,541
	25,393,892	22,388,120
Less: Allowance for impairment	(17,136,003)	(14,502,200)
	8,257,889	7,885,920
Reconciliation of allowance for impairment		
Balance at beginning of the year	(14,502,199)	(8,012,967)
Contributions to allowance	(2,633,803)	(6,489,232)
	(17,136,002)	(14,502,199)

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired.

As of 30 June 2020, consumer debtors of R 4 622 383 (2019: R 1 289 989) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	3,259,333	558,779
2 months past due	815,799	400,021
3 months past due	545,562	331,189

Consumer debtors impaired

As of 30 June 2020, consumer debtors of R 17 136 002 (2019: R 12 810 205) were impaired and provided for.

The amount of the provision was R 17 136 002 (2019: R 13 810 205) as of 30 June 2020.

The ageing of these debtors is as follows:

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
6. Trade receivables from exchange transactions (continued)		
3 to 6 months	1,323,079	1,785,016
Over 6 months	15,813,923	13,437,451
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	1,250	1,250
Bank balances	8,309,071	11,399,620
Short-term deposits	144,774,895	112,596,592
	153,085,216	123,997,462

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Nedbank - Current Account (main) - 1011292106	4,118,418	11,026,464	1,865,473	10,409,097
Standard Bank- Current Account - 060435224	5,884,042	339,707	5,884,042	339,707
First National Bank - Current Account - 62108495187	559,555	650,815	559,555	650,815
Standard Bank - 60 Day Notice Account - 68600704/001	11,084,582	21,805,637	11,084,582	21,805,637
Standard Bank - 60 Day Notice Account - 68600704/002	10,835,542	-	10,835,542	-
First National Bank - Money Market - 62108496573	6,805,414	6,805,414	6,805,414	6,805,414
NedBank - Call Account - 03/77881006129/000004	31,348,913	46,425,772	31,348,913	46,425,772
NedBank - Call Account - 03/7881120797/000001	338,214	2,896,956	338,214	2,896,956
NedBank- Call Account - 03/7881127902	-	9,428,544	-	9,428,544
NedBank - 32 day Notice - 03/7881006129/0006	6,147,790	5,769,619	6,147,790	5,769,619
First National Bank - Money Market - 62215611121	1,932,765	1,851,756	1,932,765	1,851,756
First National Bank -Money Market - 62286478906	588,165	563,576	588,165	563,576
NedBank-Call Account -03/7881134496/000001	52,876	49,995	52,876	49,995
NedBank-Call Account -03/7881134550	-	5,245,037	-	5,245,037
Nedbank - Electrification -03/7881140356	263,979	249,602	263,979	249,602
Standard Bank Call Account - 68600704/002	20,116,186	10,324,622	20,116,186	10,324,622
Nedbank MIG - 7881096624/00001	65,817	997,957	65,817	997,957
First National Bank - 62175310045	190,023	182,105	190,023	182,105
Nedbank - 03/7881006129-000009	54,168,548	-	54,168,548	-
Nedbank - Disaster Relief Fund - 03/7881160276-000001	745,893	-	745,893	-
Nedbank - COVID-19 Solidarity Fund - 03/7881160454-000001	90,189	-	90,189	-
Total	155,336,911	124,613,578	153,083,966	123,996,211

No investments that are held with an unregistered banks on behalf of Matatiele Local Municipality.

8. Investment property

	2020			2019		
	Cost / Valuation	Accumulated impairment	Carrying value	Cost / Valuation	Accumulated impairment	Carrying value
Investment property	35,574,602	-	35,574,602	35,574,602	-	35,574,602

Reconciliation of investment property - 2020

	Opening balance	Total
Investment property	35,574,602	35,574,602

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
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8. Investment property (continued)

Reconciliation of investment property - 2019

	Opening balance	Fair value adjustment	Total
Investment property	17,738,052	17,836,550	35,574,602

All of the municipality's investment properties are held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality and are held for capital appreciation.

There are no restrictions on the reliability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on investment property.

A register of Investment property is available at the municipal offices.

The effective date of revaluations was 1 July 2018.

The valuation was performed using data based on arms length transactions and related market evidence.

This was done by an independent and professional valuer with the Registration Number 70006/09, a member of SAIV (South African Institute of Valuers) by the name of Tshepo Patrick Mokhuwa.

Rental revenue	803,197	1,009,266
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9. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	20,857,699	-	20,857,699	20,857,700	-	20,857,700
Buildings	82,258,878	(15,655,777)	66,603,101	83,879,568	(13,940,417)	69,939,151
Infrastructure	518,527,877	(64,927,756)	453,600,121	485,490,652	(34,101,260)	451,389,392
Community	186,482,177	(66,071,672)	120,410,505	185,119,031	(59,698,314)	125,420,715
Other property, plant and equipment	101,786,391	(58,407,072)	43,379,319	65,180,159	(19,590,580)	45,589,580
Capital under construction	339,604,318	-	339,604,318	223,461,821	-	223,461,823
Total	1,249,517,340	(205,062,277)	1,044,455,063	1,063,988,931	(127,330,571)	936,658,361

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Other Adjustments	Transfers	Depreciation	Total
Land	20,857,700	-	-	-	-	20,857,699
Buildings	69,939,151	121,931	-	-	(3,457,980)	66,603,101
Infrastructure	451,389,392	943,652	-	32,057,835	(30,790,759)	453,600,121
Community	125,420,715	-	-	1,363,143	(6,373,358)	120,410,505
Other property, plant and equipment	45,589,580	3,923,885	(26,400)	-	(6,107,752)	43,379,318
Capital under construction	223,461,821	150,247,657	(684,184)	(33,420,978)	-	339,604,318
	936,658,359	155,237,125	(710,584)	-	(46,729,849)	1,044,455,062

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Correction of Revaluations error	Other changes, movements	Depreciation	Impairment loss	Total
Land	17,897,987	154,000	-	-	-	-	-	-	20,857,700
Buildings	46,888,576	179,450	-	-	-	-	(3,453,916)	-	69,939,151
Infrastructure	450,944,867	1,334,328	-	26,829,714	1,557,057	-	(29,276,572)	-	451,389,394
Community	90,449,181	718,402	-	4,490,279	-	33,893,075	(6,849,840)	-	125,420,717
Other property, plant and equipment	35,796,405	9,663,944	(7,135,825)	11,772,478	-	-	(4,377,659)	(129,764)	45,589,579
Capital under construction	262,731,179	121,297,062	(115,916,890)	(43,092,471)	(1,557,057)	-	-	-	223,461,821
	904,708,195	133,347,186	(123,052,715)	-	-	63,023,829	2,719,620	(43,957,987)	936,658,362

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
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9. Property, plant and equipment (continued)

9.1 Property, plant and equipment - Capitalised Restoration Cost

Capitalised Restoration Cost - Carrying Value	13,612,622	14,126,367
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The movement in capitalised restoration cost is reconciled as follows:

Cost	14,640,112	14,640,112
Accumulated Depreciation	(513,745)	(513,745)
Current Year Depreciation	(513,745)	-
	13,612,622	14,126,367

The municipality is required by relevant Environmental Legislation to rehabilitate landfill site at the closure date. The "Capitalised Restoration Cost" asset, which is capitalised in line with the requirements of GRAP 17 and iGRAP 2, relates to the initial estimate of costs involved to restore landfill site under control of the Matatiele Local Municipality.

Although this item is accounted for under Property, Plant and Equipment Standard (GRAP 17), the characteristics and nature of this item does not resemble that of normal PPE (such as the tangible nature of assets normally associated with PPE). Based on the aforementioned and in line with the requirements of GRAP 1, Capitalised Restoration Cost is disclosed as a separate item on the face of the Statement of Financial Position.

Refer to note 14 for more detail relating to this asset financed by way of a provision.

Repairs and Maintenance

Repairs on buildings	1,864,156	2,025,811
Repairs on equipment	3,305,444	2,927,454
Repairs on mains	7,959,984	7,103,462
	13,129,584	12,056,727

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Additions/capital expenditure	199,928,770	38,425,773	101,249,902	339,604,445

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Additions/capital expenditure	125,340,732	24,592,561	73,528,575	223,461,868

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
10. Intangible assets		
	2020	2019
	Cost / Valuation	Accumulated Carrying value amortisation
Computer software	4,402,203	(4,069,536) 332,667
	3,994,883	(3,581,802) 413,081

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software	413,081	407,320	(487,734)	332,667

Reconciliation of intangible assets - 2019

	Opening balance	Disposals	Amortisation	Total
Computer software	1,621,481	(285,000)	(923,400)	413,081

Other information

There is a register containing the information required by Section 63 of the MFMA which is available for inspection at the registered office of the Municipality.

None of the intangible assets are pledged as a security as at year end.

11. Payables from exchange transactions

Accrued expense	10	(15)
Bonus accrual	2,186,796	2,782,716
Income received in advance	4,791,505	4,296,132
Payable Water Services	2,044,794	2,044,794
Deposits Received	1,041,164	795,203
Trade payables	38,916,257	34,045,791
	48,980,526	43,964,621

The average credit period on purchases is 30 days from the receipt of the statement, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

Income received in advance is due to payments received for hall hire, sale of municipal vacant plots and prepaid electricity

The management of the municipality is of the opinion that the carrying value of creditors approximate their fair values.

Bonus accrual is calculated on a 13th cheque attributable to all staff.

12. Consumer deposits

Electricity	345,497	299,527
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Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
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12. Consumer deposits (continued)

Consumers on application for electricity connections pay consumer deposits. The deposit is repaid when the connection is terminated. Consumer deposits are refunded to the owner when a house is sold after the municipality has issued a clearance certificate.

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

LED projects	506,537	506,536
Library upgrade	1,028,103	547,245
DME Elec INEP Grants	-	1,964,220
Other grants	218,253	218,254
	1,752,893	3,236,255

Refer to note 24 for reconciliation of grants and receipts.

14. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Reduction due to re- measurement or settlement without cost to entity	Total
Environmental rehabilitation	13,259,530	-	(209,737)	13,049,793
Performance bonus	798,500	-	(146,275)	652,224
Leave	9,969,818	1,376,381	-	11,346,199
	24,027,848	1,376,381	(356,012)	25,048,216

Reconciliation of provisions - 2019

	Opening Balance	Additions	Reduction due to re- measurement or settlement without cost to entity	Total
Environmental rehabilitation	12,443,069	816,461	-	13,259,530
Performance bonus	811,231	-	(12,731)	798,500
Leave	7,704,536	2,265,282	-	9,969,818
	20,958,836	3,081,743	(12,731)	24,027,848
Non-current liabilities			13,049,793	13,259,530
Current liabilities			11,998,424	10,768,318
			25,048,217	24,027,848

Performance Bonus

Performance bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
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14. Provisions (continued)

Staff leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

Environmental rehabilitation provision

The minimum requirements for waste disposal by landfill as stated by the Department of Water Affairs and Forestry, " All land fills, except those closed prior to August 1990 when the permitting system came into effect, must be permitted before they can be legally closed. Closure will involve, inter alia, the application of final cover, top soiling, vegetating, drainage maintenance and leachate management."

The financial implications for the rehabilitation of the landfill site were performed by Hendrik Adriaan Roets, who is registered with the South African Institution of Civil Engineering. This was carried out on the 11 June 2020 for the effective date, 30 June 2020. Currently no appointment for the closure has been made, and therefore estimates have been compiled. The provision is based on a 15 year estimation.

Landfill sites generally fall into 3 categories, which are separated by the size of the landfill, the type of waste and the amount of leachate produced. The land fill site closure design is based on it falling in the G:S:B+ formation which has the following capping layers:

- 200mm Topsoil
- 300mm Compacted clay

In calculating the provision for rehabilitation, the following four items have been included:

Direct contract costs - this equates to a unit cost of 90 Rand per square meter based on previous closure of the Ducats landfill. Unit costs are used to estimate rehabilitation costs until a service provider is appointed to perform an investigation and design

Indirect professional fees - these fees are fixed and are based on a percentage of the contract.

Indirect disbursements - These are estimated by obtaining quotations from third party service providers for similar works.

Escalation has also been considered and included in the costs.

The monetary value for the provision for the landfill site at 30 June 2020 is R 13 049 792 (2019: R 13 259 530)

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
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14. Provisions (continued)

Environmental rehabilitation provision

Rehabilitation Provision - Landfill Site	13,049,792	13,259,530
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The movement in Rehabilitation Provision - Landfill Site are reconciled as follows:

Opening Balance	13,259,530	12,443,069
Contribution/(reduction) during the year	(209,738)	816,461
	13,049,792	13,259,530

It is estimated that the site will not be rehabilitated within 1 year from the reporting date and thus there is no short term portion associated with this provision. The timing of the outflow of resources relating to this provision is uncertain, but management expects the timing to be in line with the legal requirement subsequent to the expected closure date of the site as indicated below.

The total obligation at year-end is attributed to the following site:

Site	Expected Closure Date		
Matatiele Landfill Site	2023	13,049,792	13,259,530

The Environmental Specialists were utilised to determine the cost of rehabilitation of landfill site as well to assist the municipality in identifying any changes (if any) to estimated to estimated closure dates previously reported on in former entities.

The estimated area per site to be rehabilitated at year end were as follow (Rehabilitaion area - per metre squared).

Matatiele Landfill Site	150,000	150,000
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The cost of rehabilitaion per square metre is based on the current cost of construction at each reporting period. The cost per square metre were estimated as follows:

Matatiele Landfill Site	88	88
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15. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	15,215,831 (100,828)	14,867,968 347,863
	15,115,003	15,215,831
Non-current assets	687,624	-
Non-current liabilities	(15,978,627)	(15,215,831)
	(15,291,003)	(15,215,831)

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
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15. Employee benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	11,930,649	11,682,447
Contributions by plan participants	(624,450)	(556,015)
Net expense recognised in the statement of financial performance	1,068,380	804,217
	12,374,579	11,930,649

Net expense recognised in the statement of financial performance

Current service cost	1,649,564	1,765,491
Interest cost	1,325,339	1,376,666
Actuarial (gains) losses	(1,906,523)	(2,337,940)
	1,068,380	804,217

Key assumptions used

Assumptions used at the reporting date:

Actual return on plan assets	62	62
Discount rates used	9.35 %	9.35 %
Expected rate of return on assets	7.98 %	7.98 %
Expected rate of return on reimbursement rights	1.60 %	1.60 %

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	3,183,679	3,152,157
Effect on defined benefit obligation	12,585,610	12,461,000

Amounts for the current and previous four year are as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Defined benefit obligation	15,291,003	15,215,831	15,269,222	13,489,265	10,789,296
Surplus (deficit)	(15,291,003)	(15,215,831)	(15,269,222)	(13,489,265)	(10,789,296)

16. Revaluation reserve

Opening balance	230,445,832	167,422,003
Change during the year	-	63,023,829
	230,445,832	230,445,832

Matatiele Local Municipality

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	2020 R	2019 R
16. Revaluation reserve (continued)		
The revaluation reserve arose on the revaluation of land and buildings and infrastructure asset in prior periods. Where revalued land and buildings and infrastructure assets are sold, the portion of the revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to accumulated surplus. The revaluation reserve is also realised through the transfer of depreciation on revalued assets to accumulated surplus. Distribution from the revaluation reserve can be made where they are in accordance with the requirements of the municipality's accounting policy and relevant case law. The payment of cash distribution out of the reserve is restricted by the terms of the municipality's accounting policy. These restrictions do not apply to any amounts transferred to accumulated surplus. The council does not currently intend to make any distributions from the revaluation reserve.		
17. Revenue		
Fine receipts	1,397,543	3,470,659
Government grants & subsidies	369,222,363	320,562,017
Licences and permits	2,557,070	3,279,009
Interest received - investment	24,528,113	20,109,004
Other income	2,569,432	2,459,008
Property rates	44,903,631	43,280,098
Public contributions and donations	-	2,873,871
Rental of facilities and equipment	803,197	853,155
Service charges	58,434,130	61,165,844
Impairment reversal	209,737	-
	504,625,216	458,052,665
The amount included in revenue arising from exchanges of goods or services are as follows:		
Interest received - investment	24,528,113	20,109,004
Licences and permits	2,557,070	3,279,009
Other income	2,569,432	2,459,008
Rental of facilities and equipment	803,197	853,155
Service charges	58,434,130	61,165,844
Impairment reversal	209,737	-
	89,101,679	87,866,020
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	44,903,631	43,280,098
Transfer revenue		
Fine receipts	1,397,543	3,470,659
Government grants & subsidies	369,222,363	320,562,017
Public contributions and donations	-	2,873,871
	415,523,537	370,186,645
18. Service charges		
Refuse removal	10,789,616	10,009,334
Sale of electricity	47,644,514	51,156,510
	58,434,130	61,165,844

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

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Notes to the Annual Financial Statements

	2020 R	2019 R
19. Rental of facilities and equipment		
Hall Hire	130,670	154,075
Site Rental	659,433	681,671
Stadium Hire	13,094	17,409
	803,197	853,155
20. Licenses and permits		
Drivers and Motor Vehicle licenses	2,493,259	3,242,893
Fishing licenses	18,630	20,565
Hoarding permits	2,739	4,130
Business licenses	42,442	11,421
	2,557,070	3,279,009
21. Other income		
Ticket Sales	76,999	-
Sundry services	505,174	17,800
Rezoning certificates	53,724	13,849
Pool fees	48,459	42,141
Rates certificates	23,041	21,645
Building plans	150,330	167,482
Camping Fees	4,266	6,002
Commission fees	33,142	29,667
Photo copies	-	36
Cemetery fees	87,711	76,246
Tender documents	446,119	536,024
Actuarial gains	766,350	1,172,102
Sub-division planning	25,477	11,684
SETA refund	327,373	213,164
Special consent	7,002	30,037
Temporary structure planning	2,839	8,643
Discount Received	-	101,094
Demolition fees	11,426	11,392
	2,569,432	2,459,008
The amounts disclosed above for other income are in respect of services rendered which are billed to or paid for by the users as the services are required according to approved tariffs.		
22. Interest received		
Interest revenue		
Interest on short-term bank deposits	12,973,083	10,495,104
Interest on Electricity and rates	11,555,030	9,613,900
	24,528,113	20,109,004

Matatiele Local Municipality

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Notes to the Annual Financial Statements

	2020 R	2019 R
23. Property rates		
Rates		
Residential	6,225,860	6,259,063
Commercial	6,892,879	5,440,270
Vacant Land	702,737	720,796
Municipal	29,804,558	28,387,054
Communal land	1,277,597	2,472,915
	44,903,631	43,280,098

Supplementary assessment rates are levied on the value of land and improvements, for which a valuation is performed every five years. Valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A new valuation roll has been implemented from 1 July 2018.

Valuations

Residential	1,373,509,889	1,409,345,334
Commercial	890,103,363	912,404,923
State	1,242,368,411	1,254,998,411
Vacant land	37,120,810	38,704,310
Municipal and Local Government (Rural)	1,483,552,385	1,483,552,385
Exempted properties	390,692,480	394,712,480
	5,417,347,338	5,493,717,843

24. Government grants and subsidies

Operating grants

Equitable share	234,919,220	207,642,000
COVID-19 relief grant	745,000	-
Local government financial management grant	1,700,000	1,701,126
Expanded public works programme integrated	3,257,000	3,185,000
	240,621,220	212,528,126

Capital grants

Integrated national electrification programme	70,177,000	43,079,749
Library Upgrade	169,143	1,064,953
Municipal infrastructure grant	58,255,000	63,720,700
Other Grants	-	168,489
	128,601,143	108,033,891
	369,222,363	320,562,017

Equitable Share

In terms of the Constitution, this grant is used unconditionally for the provisioning of basic services to support indigent communities.

National: Financial management grant

Balance unspent at beginning of year	-	1,126
Current-year receipts	1,700,000	1,700,000
Conditions met - transferred to revenue	(1,700,000)	(1,701,126)
	-	-

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
24. Government grants and subsidies (continued)		
National: Municipal infrastructure grant		
Balance unspent at beginning of year	-	4,030,700
Current-year receipts	58,255,000	59,690,000
Conditions met - transferred to revenue	(58,255,000)	(63,720,700)
	-	-
National: Integrated national electrification grant		
Balance unspent at beginning of year	1,964,221	3,883,970
Current-year receipts	70,177,000	41,160,000
Conditions met - transferred to revenue	(70,177,000)	(43,079,749)
National Treasury forfeited funds	(1,964,221)	-
	-	1,964,221
Provincial government establishment plan		
Balance unspent at beginning of year	-	63,798
Conditions met - transferred to revenue	-	(63,798)
	-	-
Local government IDP fund		
Balance unspent at beginning of year	-	59,683
Conditions met - transferred to revenue	-	(59,683)
	-	-
Library upgrade		
Balance unspent at beginning of year	547,245	1,012,200
Current-year receipts	650,000	600,000
Conditions met - transferred to revenue	(169,143)	(1,064,955)
	1,028,102	547,245
Conditions still to be met - remain liabilities (see note 13).		
Spatial Development		
Balance unspent at beginning of year	-	43,865
Conditions met - transferred to revenue	-	(43,865)
	-	-
Expanded public works programme		
Current-year receipts	3,257,000	3,185,000
Conditions met - transferred to revenue	(3,257,000)	(3,185,000)
	-	-

Matatiele Local Municipality

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Notes to the Annual Financial Statements

	2020 R	2019 R
24. Government grants and subsidies (continued)		
LED Projects		
Balance unspent at beginning of year	506,536	506,536
Conditions still to be met - remain liabilities (see note 13).		
COVID-19 Relief Grant		
Current-year receipts	745,000	-
Conditions met - transferred to revenue	(745,000)	-
	-	-
Other Grants		
Balance unspent at beginning of year	218,254	219,396
Conditions met - transferred to revenue	-	(1,142)
	218,254	218,254
Conditions still to be met - remain liabilities (see note 13).		
25. Fine receipts		
Traffic fines	1,397,543	3,470,659
26. Employee related costs		
Basic	78,516,102	73,276,718
Bonus	4,651,407	4,496,263
Overtime payments	2,359,112	2,507,766
Car allowance	4,728,897	4,792,207
Contribution to bonus and post retirement provision	25,830	455,941
Defined contribution plans	11,679,476	11,505,240
Housing benefits and allowances	4,740,725	4,771,279
Leave pay provision charge	2,989,828	2,986,950
Long-service awards	243,137	301,598
Medical aid - company contributions	3,781,517	3,414,331
Cellular and telephone Allowances	6,000	6,000
SDL	1,131,035	1,123,592
UIF	548,699	562,727
	115,401,765	110,200,612
Remuneration of Municipal Manager		
Annual Remuneration	5,259,272	914,774
Car Allowance	311,750	411,059
Backpay	-	23,036
Contributions to UIF, Medical and Pension Funds	1,338	1,785
Remote Allowance	70,816	94,421
	5,643,176	1,445,075

Dr D.C.T Nakin served as Municipal Manager from 1 July 2019 to 31 March 2020. Mr L Matiwane was an Acting Municipal Manager from 10 January 2020 until 26 January 2020. Mr V Mlokothe served as an Acting Municipal Manager from 27 January 2020 until the end of financial year under review. There are no acting allowances that the municipality paid.

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
26. Employee related costs (continued)		
Remuneration of Chief Financial Officer		
Annual Remuneration	291,285	639,215
Car Allowance	123,287	260,781
Bonus	40,000	-
Contributions to UIF, Medical and Pension Funds	1,190	1,636
Housing Allowance	123,287	-
Remote Allowance	41,741	64,318
Back Pay	18,438	18,829
	639,228	984,779

Mr K Mehlomakulu was appointed as acting Chief Financial Officer from 01/05/2019 to 31/10/2019. He was then appointed as Chief Financial Officer in November 2019.

Remuneration of Corporate Services General Manager

Annual Remuneration	524,141	516,384
Car Allowance	131,519	122,045
Contributions to UIF, Medical and Pension Funds	41,871	39,333
Backpay	29,763	14,645
Housing Allowance	168,938	166,948
Remote Allowance	62,611	60,030
	958,843	919,385

Mr N.R Xolo served as Corporate Service General Manager for the entire period.

Remuneration of Community Services General Manager

Annual Remuneration	266,115	367,556
Backpay	21,529	10,363
Car Allowance	394,864	317,423
Contributions to UIF, Medical and Pension Funds	57,875	113,267
Housing Allowance	394,864	317,423
Remote Allowance	79,343	75,185
	1,214,590	1,201,217

Mr S.M. Mbedla served as Community Services General Manager for the entire period .

Remuneration of the Economic Development Planning General Manager

Annual Remuneration	348,000	460,038
Backpay	25,726	39,557
Car Allowance	379,868	302,853
Contributions to UIF, Medical and Pension Funds	1,785	1,785
Housing allowance	379,868	302,853
Remote allowance	79,343	75,825
	1,214,590	1,182,911

Miss T. Ntsalla served as Economic Development Planning General Manager for the entire period.

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
26. Employee related costs (continued)		
Remuneration of the Infrastructure General Manager		
Annual Remuneration	311,733	289,166
Car Allowance	115,572	98,219
Contributions to UIF, Medical and Pension Funds	1,190	1,260
Housing Allowance	115,572	98,219
Backpay	53,421	14,645
Remote Allowance	41,741	35,018
	639,229	536,527

Mr Z Gqamane acted as a General Manager Infrastructure 01 May 2019 to 31 October 2019. Mr M Lehlehla was appointed General Manager Infrastructure Services from 1st November 2019.

Staff leave benefits

Municipal Manager	-	155,614
Chief Financial Officer	44,715	101,762
Community Services	147,109	96,461
EDP Manager	126,405	84,802
Corporate	123,827	101,762
Infrastructure	41,276	-
	483,332	540,401

27. Remuneration of councillors

Mayor	905,259	872,149
Speaker	733,088	706,600
Chief Whip	690,046	665,213
MPAC Chair	677,074	652,740
Executive Committee	4,783,149	4,521,743
Councillors	12,658,596	12,207,740
	20,447,212	19,626,185

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
27. Remuneration of councillors (continued)		
In-kind benefits		
The Mayor and the Speaker are full-time Councillors each have the use of separate Council owned vehicles for official duties.		
The Mayor has one driver and one mayoral aid. The Speaker has one driver and one speaker's aid.		
Mayor		
Remuneration	860,859	827,749
Telephone Allowance	44,400	44,400
	905,259	872,149
Speaker		
Remuneration	688,688	662,200
Telephone Allowance	44,400	44,400
	733,088	706,600
Chief Whip		
Remuneration	645,646	620,813
Telephone Allowance	44,400	44,400
	690,046	665,213
MPAC Chairperson		
Remuneration	632,674	608,340
Telephone Allowance	44,400	44,400
	677,074	652,740
Executive Committee Members		
Remuneration	4,423,549	4,122,143
Telephone Allowance	359,600	399,600
	4,783,149	4,521,743
Councillors (Section 79)		
Remuneration	699,235	608,340
Telephone Allowance	88,800	44,400
	788,035	652,740
Councillors (Ordinary)		
Remuneration	10,337,373	10,165,335
Telephone Allowance	1,533,187	2,042,405
	11,870,560	12,207,740
28. Remuneration of traditional leaders		
Remuneration of traditional leaders	386,324	448,802

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
29. Depreciation and amortisation		
Intangible assets	487,734	983,479
Property, plant and equipment	47,243,594	47,557,018
	47,731,328	48,540,497
30. Impairment of assets		
Impairments		
Property, plant and equipment	-	129,764
The impairment is caused by Other Assets (assets written off).		
31. Finance costs		
Late payments	3,082	5,345
32. Debt impairment		
Contributions to debt impairment provision	13,883,601	5,001,244
Prior year debt write off was expensed inclusive of the VAT portion. The 2018/19 VAT and Debt Impairment figures has been adjusted as per the Correction of Error Note 49.		
33. Material and stores		
Material and stores	4,192,167	3,645,783
34. Bulk purchases		
Electricity	39,938,390	39,260,295
Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to consumers. Electricity is purchased from Eskom. The municipality incurred electricity line losses of R 1 361 263 at a percentage of 6.02% (2019: R 1 344 179 at a percentage of 5.23%) in the current year.		
Water is supplied directly to residents and businesses by the district municipality.		
35. Contracted services		
Consultants and professional fees		
Legal Costs	2,601,689	1,674,916
Financial Services	15,485,410	13,998,249
Contractors		
Debt Collection Consultants	402,419	292,232
Event Promoters	2,119,964	34,919
Employee Wellness	303,743	253,649
Repairs and Maintenance	13,129,585	12,056,728
Safe Guarding and Security	9,128,564	9,423,930
Outsource		
Business and Advisory	28,555,245	20,099,164
Catering Services	1,078,771	1,397,448
Cleaning Services	2,815,439	2,954,139
Refuse Removal	5,457,211	5,652,683
	81,078,040	67,838,057

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
36. Operational Expenses		
Achievement and Awards	1,479,705	1,012,100
Advertising	967,323	1,370,718
Bank charges	254,329	202,702
Bursaries and Learnerships	1,508,250	1,557,324
Communication	199,800	314,000
Conferences and seminars	231,848	234,432
Delegates expenses	5,062,576	10,172,556
Electricity	359,574	340,511
External Computer Services	2,856,982	1,278,078
Hire Charges	1,146,249	1,146,930
Insurance	2,829,178	3,170,387
Motor vehicle expenses	104,134	140,206
Obsolete stock written off	3,246	2,379
Other expenses	2,316,287	2,729,387
Audit fees	3,884,540	5,441,941
Postage and courier	201,135	235,636
Printing and stationery	253,971	253,706
Remuneration to ward committees	3,069,000	3,080,000
Subscriptions and membership fees	1,283,730	1,285,863
Telephone and fax	2,453,852	2,296,911
Transport Provided as Part of Departmental Activities	434,312	474,866
Uniforms and Protective Clothing	1,355,265	944,351
Wet Fuel and oil	1,701,562	1,905,319
	33,956,848	39,590,304
37. Cash generated from operations		
Surplus	146,895,875	16,971,785
Adjustments for:		
Depreciation and amortisation	47,731,328	48,540,496
Loss on sale of assets and liabilities	710,584	122,899,333
Fair value adjustments	-	(17,071,800)
Impairment deficit	-	129,764
Debt impairment	13,883,601	5,001,244
Movements in retirement benefit assets and liabilities	75,172	(53,391)
Movements in provisions	1,020,369	3,069,012
Finance Costs	-	5,239
Correction of error - Non Cash prior year	-	383,983
Donations	-	(2,719,870)
Non-Cash items	-	284,042
Changes in working capital:		
Inventories	(728,821)	(101)
Consumer debtors	(14,255,569)	2,503,784
Other receivables from non-exchange transactions	(5,781,460)	(38,868,256)
Prepayments	24,817	(3,704,817)
Payables from exchange transactions	5,015,880	(2,030,100)
VAT	(8,422,194)	7,867,676
Unspent conditional grants and receipts	(1,483,361)	(6,585,018)
Consumer deposits	45,970	8,685
	184,732,191	136,631,690
38. Unauthorised expenditure		
Unauthorised expenditure	94,704	94,704

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
38. Unauthorised expenditure (continued)		
Management did not identify unauthorised expenditure during the financial year, however it was identified during 2017/18 financial year audit. All items of unauthorised expenditure are still under investigation at 30 June 2020.		
39. Irregular expenditure		
Opening balance	9,370,387	2,234,967
Add: Irregular Expenditure - current year	-	7,135,420
Less: Amounts written off	(9,370,387)	-
	-	9,370,387

MPAC oversight report recommended that Council write off the expenditure and Council approved the report on the 26th of March 2020.

40. Fruitless and wasteful expenditure

Opening balance	52,144	46,799
Fruitless and wasteful expenditure- current year	3,082	5,345
	55,226	52,144

Management identified this and a report has been prepared for council deliberation and its recommendations will be implemented to either recover monies or write offs where necessary. All items of fruitless and wasteful expenditure are still under investigation at 30 June 2020.

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
41. Operating lease		
The Municipality had the following operating leases in the current year:		
Kokstad Copiers - The leases are held on a monthly basis. No outstanding commitments.		
Aloe Office - The lease agreement was completed in July 2019, the new lease is held on monthly basis. No outstanding commitments.		
Nedbank - for a period of 36 months. At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:		
Within one year :		R 80 565
In the second to fifth year inclusive:		
Maxitech - The lease is held on a monthly basis for hosting the website. No outstanding commitments.		
Telkom - The lease is for a period of 5 years.		
Up to 1 year	480,421	-
2-5 years	1,601,422	-
	2,081,843	-
Telkom Internet - The lease is for a period of 5 years.		
Up to 1 year	326,417	-
2-5 years	979,252	-
	1,305,669	-
Telkom VPN - The lease is for a period of 5 years.		
Up to 1 year	382,017	-
2-5 years	1,209,719	-
	1,591,736	-

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
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42. Contingencies

LIABILITIES

Bigen Africa vs Matatiele Local Municipality

The municipality is being sued for non payment of services rendered. The estimated cost of the suit is R 2 655 826.

Going Places vs Matatiele Local Municipality

The municipality is being sued and the nature of case cannot be clarified at this stage. The estimated cost of the suit cannot be determined.

Excellent Security vs Matatiele Local Municipality

The municipality is being sued and the nature of case cannot be clarified at this stage. The estimated cost of the suit cannot be determined.

Bono / Mbadu, PC Matholoana and Ayanda Shibani vs Matatiele Local Municipality

The municipality is being sued and the nature of case cannot be clarified at this stage. The estimated cost of the suit cannot be determined.

ASSETS

Matatiele Municipality vs Lubbe Construction

The municipality lodged a claim against the contractor for construction of the Council chamber which was not carried out with due skill, diligence and regularity. The estimated cost of the suit is R 22 173 329.

Matatiele Municipality vs Branded Soul

Attorneys are in the process of recovering the legal cost as there is a possibility that the case will not be continued. The legal costs and disbursements to date amount to R 36 091

Matatiele Local Municipality vs Soul Goods

The Municipality is in a process of recovering up to an amount of R 24 083 from Soul Goods, the case is at advanced stages.

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
43. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
▪ Property, plant and equipment	95,594,974	77,507,240
Not yet contracted for and authorised by accounting officer		
▪ Property, plant and equipment	-	4,147,441
Total capital commitments		
Already contracted for but not provided for	95,594,974	77,507,240
Not yet contracted for and authorised by accounting officer	-	4,147,441
	95,594,974	81,654,681

The committed expenditure relates to property, plant and equipment contracts that will be finished in the coming years. The commitments will be financed by grants as well as own revenue.

The commitment amounts are exclusive of VAT.

The commitments for the current year will be funded as follows, Intergrated National Electrification Programme R 12 666 881, Municipal Infrastructure Grant R 61 425 145 and from Own Operational Revenue R 21 502 948.

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
44. Related parties		
Relationships		
Employee Assistant and Health and Safety Practitioner	Mother	
Accountant Payroll	Spouse	
South African Police Service	Spouse	
General Manager: Infrastructure	Brother	
<p>Mahlonono Construction was appointed to provide grass cutting and cleaning services. The expenditure incurred was R 1 332 278. The member of Mahlonono Construction was Emelia Masisimane Rampeo who was the mother of the Municipal Employee Assistant: Health and Safety Practitioner. For a project of over 3 years which started on the 2017/2018. For the 2018/2019 financial year an amount of R 1 017 542 was paid to Mahlonono Construction.</p>		
<p>Sweet Dreams Trading was appointed to provide building maintenance services. The expenditure incurred was R 42 597. The member of Sweet Dreams Trading was Taelo Letseka who was the spouse of the Municipal Accountant: Payroll. For the 2018/2019 financial year an amount of R 120 676 was paid to Sweet Dreams Trading.</p>		
<p>Africa Unite (Pty) Ltd was appointed to provide cleaning services. The expenditure incurred was R 951 782. The shareholder of Africa Unite (Pty) Ltd was General Moso who was the spouse of a SAPS Officer, N. Moso. For the 2018/2019 financial year an amount of R 1 078 280 was paid to Africa Unite (Pty) Ltd.</p>		
<p>Lonwabo Sicwebu, the son of Administration Support Manager, is a member of Lonely Trading who were appointed to provide services relating to grass cutting and cleaning. The expenditure incurred amounted to R 490 181.</p>		
<p>Bokang Lehlehla, the brother of the General Manager Infrastructure, was a member of Maboka Contractors who were appointed to for the construction of Silo Phase 3. The expenditure incurred amounted to R 1 001 480.</p>		
Awards and payments to persons with relatives in the Matatiele Local Municipality:		
Mahlonono Construction was appointed to provide grass cutting and cleaning services. The member of Mahlonono Construction was Emelia Masisimane Rampeo who was the mother of the Employee Assistant and Health and Safety Practitioner	1,332,278	1,017,542
Sweet Dreams Trading was appointed to provide building maintenance services. The member of Sweet Dreams Trading was Taelo Letseka who was the spouse of the Municipal Accountant: Payroll.	42,597	120,676
Lonwabo Sicwebu, the son of Administration Support Manager, is a member of Lonely Trading who were appointed to provide services relating to grass cutting and cleaning. The expenditure incurred amounted to R 490 181.	-	490,181
A payment amounting to R5 785 was made to MK88 Pty Ltd during the 2018/19 financial year. MK88 Pty Ltd is owned by Mr. M. Khakane who is an employee of the municipality. This payment was made before he became an employee of the municipality, he commenced his duties at the municipality on 01st of February 2019.	-	5,785
Bokang Lehlehla, the brother of the General Manager Infrastructure, is a member of Maboka Contractors who were appointed to for the construction of Silo Phase 3. The expenditure incurred amounted to R 1 001 480.	1,001,480	-
	2,376,355	1,634,184
Awards and payments to persons with relatives in other State Departments:		
Africa Unite (Pty) Ltd was appointed to provide cleaning services. The shareholder of Africa Unite (Pty) Ltd was General Moso who was the spouse of a SAPS Officer, N. Moso.	951,782	1,078,280
Total related party payments for the year	3,328,137	2,712,464

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
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45. Key Sources of Estimation Uncertainty and Judgements

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment
Recoverable amounts of property, plant and equipment
Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)
Present value of defined benefit obligation
Fair value of plan assets
Provision for doubtful debts
Impairment of assets
Provision for long-term service award
Contingencies

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets
Provisions

46. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	1,241,721	1,192,128
Amount paid - current year	(1,241,721)	(1,192,128)
	-	-

Audit fees

Opening balance	3,884,540	5,441,941
Amount paid - current year	(3,884,540)	(5,441,941)
	-	-

PAYE and UIF

Opening balance	21,982,465	20,483,296
Amount paid - current year	(21,982,465)	(20,483,296)
	-	-

VAT

VAT receivable	12,101,681	3,679,487
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VAT output payables and VAT input receivables are shown in note 4 .

All VAT returns have been submitted by the due date throughout the year .

Councillors' arrear consumer accounts

No Councillors had arrear accounts outstanding at 30 June 2020.

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46. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Supply chain management regulations - Deviations		
In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved by the Municipal Manager and be reported to Council for noting.		
Incident		
Emergency	2,231,007	1,233,950
Sole supplier	611,860	2,593,101
Impractical Impossible	2,743,826	2,852,118
	5,586,693	6,679,169

47. Risk management

Financial risk management

The amount of interest that has been charged on outstanding debtors for the current year is R 11 55 030 (2019: R 9 613 900).

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument		
Trade Receivables	8,257,890	7,885,922
Nedbank	1,865,473	10,409,097
Standard Bank	5,884,042	339,707
First National Bank	559,555	650,815
Short Term Investment	144,774,895	112,597,874

48. Budget Variances

Reasons for Variances

Methodology applied is as follows:

The basis which have been applied in determining material variances is 10%, Income we have only provided reason where the municipality has under achieved and for expenditure both over and under achieved where its 10% less or more than budget. The municipality treats employee costs as a major expense in its statement of financial performance hence we have provided reason for that variance of 7%.

Service Charges, Variance of 14%

The municipality relaxed its credit control policy during the lockdown period i.e March -June , where customers were not blocked for not paying for services , this resulted into less payments made for service charges .

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Notes to the Annual Financial Statements

	2020 R	2019 R
48. Budget Variances (continued)		
Licenses and Permits , Variance of 44%		
Due to the national lockdown ,revenue from licences and permits has not been recognised as planned , in the months of April - June the licencing unit was closed and no issue of licences and permits was made.		
Fines Receipts, Variance of 38%		
Due to the national lockdown ,revenue from fines has not been recognised as planned , in the months of April - June the licencing unit was closed and less fines were issued .		
Employee Realated Costs, Variance of 7%		
Vacant positions that were not filled but budgeted for for the financial year .		
Remuneration of Councillors, Variance of 10%		
The budget provided for a 7% increase and 4,5% was implemented as per the Gazette , this resulted into savings.		
Debt Impairment, Variance of -247%		
Old traffic fine debt was written off ,due increased debt balances impairment has also increased.		
Other Materials, Variance of 48%		
Due to the national lockdown , procurement of material for road maintenace , electrical supplies was delayed.		
Bulk Purchases, Variance of 17%		
The electricity consumption has decreased and is less than what was anticipated .		
Contracted Services, Variance of 13%		
Savings from contracted services on legal fees , refuse removal and expenditure on catering services.		
Other Expenditure, Variance of 44%		
This is due to savings from operational costs e.g travelling and subsistence, wet fuel as less expenditure was incurred during the national lockdown .		

Matatiele Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
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49. Correction of Error

Restated prior years' figures 2017/2018

The prior year figures were restated due to entries not captured in the correct period resulting in the following adjustments for 2017/2018.

VAT Input increased by R 978 945

In the previous years 2017/2018, an amount of R 976 945 relating to the VAT portion on Debt contribution to provision for 2017/2018 was also expensed with the expenditure. The balance is for the Kokstad Copiers invoices recognised as VAT Input Accrual of R 2 888.

Trade and Other Payables increased by R 409 454

Kokstad Copiers invoices for 2018 were not captured and were not paid for an amount of R 22 139. The VAT Input Accrual of R 2 888 has been recognised and the Retained Income reduced by R 19 252. Performance bonuses to be paid to Middle Managers for the financial year ended June 2018 which were not paid amounting to R 387 315.

Impact on the Financial Statements can be summarised as follows:

Statement of Financial Position effect

VAT Control Account	-	978,945
Trade and Other Payables (Accruals 2018)	-	(409,454)
Statement of Changes in Net Assets		
Retained Income	-	(569,491)
	-	-

Restated the prior year figures 2018/2019

The prior year figures were restated due to entries not captured in the correct period resulting in the following adjustments for 2018/2019.

Sundry Debtors for 2018/2019 increased by R 15 946 943

In the prior year, an amount relating to Trade receivables-Non-Exchange (Sundry Debtor) was previously recorded in Trade receivables Exchange (Electricity).

Infrastructure (Roads) for 2018/2019 increased by R 1 557 057

Butsula Access Road that was completed in the prior year but was not transferred from Work In Progress (WIP) to Infrastructure (Roads).

Depreciation increased by R 71 553

Butsula Access Road that was completed in the prior year but was not transferred from Work In Progress (WIP) to Infrastructure (Roads). Prior year depreciation adjustment for the related depreciation.

VAT receivable increased R 849 408

Prior year debtors write off was expensed inclusive of the VAT portion amount of R 846 422. The balance is for the Kokstad Copiers invoices recognised as VAT Input Accrual of R 2 987.

Trade and Other Payables increased by R 257 334

Kokstad Copiers invoices for 2019 were not captured and were not paid for an amount of R 22 900 and the Printing and Stationery Expenses account has been increased by R 19 913. Back pay for the financial year ended 30 June 2019: GM Corporate for 11 months for the amount of R 234 435.

Impact on the Financial Statements can be summarised as follows:

Matatiele Local Municipality

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Notes to the Annual Financial Statements

	2020 R	2019 R
49. Correction of Error (continued)		
Statement of Financial Position effect		
Trade receivables Non-Exchange (Sundry Debtor)	-	(15,946,943)
Trade receivables Exchange (Electricity)	-	15,946,943
Infrastructure at cost (Butsula Access Road)	-	1,557,057
Work In Progress (WIP - Butsula Access Road)	-	(1,557,057)
VAT Control Account	-	849,408
Trade and Other Payables (Accruals 2019)	-	(257,334)
Infrastructure accumulated depreciation	-	(71,553)
	-	520,520
Statement of Financial Performance effect		
Debt Impairment	-	(846,422)
Employee Related Costs (Salaries)	-	234,435
Printing and Stationery	-	19,913
Depreciation	-	71,553
	-	520,520

50. Events after the reporting date

Mr V. Mlokothe was the Acting Municipal Manager for the portion of the period under review however from 29 July 2020 Matatiele Local Municipality appointed Mr N.R. Xolo to be the Acting Municipal Manager until 31 August 2020. The Municipality has appointed Mr L. Matiwane to be the Municipal Manager from 1 September 2020.

51. Other reporting events

At the end of March 2020, the COVID19 virus was declared a pandemic by the World Health Organisation and by the South African Government. South Africa entered into lockdown on 26th March 2020, which meant that businesses that were not seen as essential had to shut down.

This then meant any facilities that are normally rented out by the municipality had to be shut down. COVID 19 had a significant impact on the amounts as disclosed on the Annual Financial Statements. The affected areas were mainly debtors, cash and cash equivalent, debtor's impairment, Inventory. These amounts and impacts are furthermore discussed on note 48.